

Financial Literacy and Investment Behaviour of IT Professional in India

Mahabub Basha S^{1*}, M. Kethan², T. Jaggaiah³, Mohammed Khizerulla⁴

¹Assistant Professor, Dept. of Commerce, IIBS, Bengaluru

²Associate Professor, Dept. of Management, IIBS, Bengaluru

³Principi, IISB, Bengaluru

⁴Head, Department of Commerce, HKBK Degree College, Bengaluru,
Karnataka, India

ABSTRACT: IT sector plays a vital role in its contribution towards India's GDP Savings and investments are imperative for fast-tracking economic growth and taking India to greater heights. The Purpose of this research is to understand the saving and investment behaviour of the IT professionals. There are various dimensions of savings and investment behaviour such as features of investment planning, determinants of investment preferences, IT Professionals have different mindset when they decide about investing in a particular avenue and they want his saving to be invested in most secure and liquid way. Though, the decision varies for every separate depending upon their risk aptitude. Their investment objective also differs from financial stability to additional income and so on. This paper attempts to find out the factors accountable for increased investing activities among young professionals. The current has studied the investment behaviour of IT investors by using a structured survey and this study inspects Behavioural Factors influencing towards Investment p among IT Professionals.

Keywords: Savings, Strategic Investment, IT Professionals, GDP

Submitted: 06-06-2022; Revised: 15-06-2022; Accepted: 26-06-2022

Corresponding Author: shaiks86@gmail.com

INTRODUCTION

An investment is an asset or item accrued with the goal of making income or credit. In an economic outlook, an investment is the purchase of goods that are not consumed today but are used in the future to generate wealth. In finance, an investment is a financial asset bought with the idea that the asset will provide income further or will later be sold at a higher cost price for a profit.

Investment is a financial activity carried down with the objective of getting return. It is the commitment of funds which have been saved from current consumption with the hope that some benefits will accrue in future. Thus, it is a reward for waiting for money. So, the first step to investment is savings.

The main factors influencing investment are safety, return, growth of capital, risk, liquidity, tax benefits and convenience. Various investment options are available with differing risk-reward trade-offs. Like Bank deposits, Stocks, Mutual funds, Post office savings, Insurance, Gold, physical assets etc. An understanding of the core concepts and a thorough analysis of the options can help investor create a portfolio that maximizes returns while minimizing risk exposure. An investment is a sacrifice of current money or other resources for future benefits and investment may be defined as the net addition to a nation's physical stock of capital. In the present financial market scenario numerous avenues of investment are available.

REVIEW OF LITERATURES

Usha Lakshmi & Dr.K. Selvavinayagam (2019)¹

Studies the investment behaviour of College Teachers of Government and Private Colleges in Dharmapuri District. Researchers found that being from salaried class college teachers of both government & private college; they consider safety as the most important factor while investing. This behaviour was a result of lack of financial literacy and lack of awareness about the grievance process available in case of issues. Most of them tend to invest in gold, real estate, secured fixed or recurring deposits in banks and insurance.

Dr. N. S. Pandey & P. Kathavarayan (2017)²

Has conducted research on the savings and investment behaviour of college faculty members in Puducherry region. This study deals with investors' preference of Shares, Debentures, Mutual fund, Bank deposits and Life insurance etc. It was conducted through primary data with a sample of 113 respondents from Pondicherry region. The results of the study show that age, gender, education, marital status and income shows highly significant towards investment preferences and correlation inferences awareness towards investment avenues and education is significant, Chi square find the satisfaction level towards

investment has association between age, gender, monthly income, marital status, education.

*Dr. Varsha Virani (2014)*³

The research study was based on the micro economic approach of estimating the responses of the respondents i.e. school teachers towards the savings and investment pattern in the Rajkot city. The objective of the study was to determine the relationship between the savings and investments pattern among the school teachers. The study was done on the different government and private school teachers. The research shows that majority of the respondents were saving money as Bank deposits for the safety of an unpredictable future.

*Anju K J & Dr. Anuradha P S (2017)*⁴

Researchers has conducted research to understand the saving and investment behaviour of the IT professionals in Bengaluru. The rationale behind choosing this topic was that IT professionals have gained attention of economists but there still remains untapped potential of their income. Primary data was collected through questionnaire from 439 respondents.

*Sameer S. Manek (2017)*⁵

Has conducted research on investment behaviour of professional people of Rajkot City. Researcher states that investors were expected to earn high return but with the safer side. It was found that Mutual Funds were more attractive investment for the majority of the people because it has high return and more liquidity therefore it was found more expected and while the conservative investors who expect more safety of their investment were expected to go for fixed deposits too.

*Avinash Kumar Singh (2006)*⁶

This person analysed was investment patterns of the investors. This study is helps to evaluate the investor and their investment pattern. He found that majority of the investors are aware of the various investment alternatives and risk associated with that investment. 50 above aged people was preferred insurance, tax saving schemes and fixed deposits. Remaining of the investors was preferred equity investment and these people are daily monitoring the performance of the equity funds

*Sudalaimuthu & Senthil kumar (2008)*⁷

These people analysed most of the investors are preferring mutual fund investment. Investors may aware of mutual fund units, schemes, types, risk

associated with funds, units of market value and what are the factors influences to invest their savings into mutual fund. Mutual fund return was satisfied the investor's expectation. This study helps to know the perception of the investors and mutual fund investment schemes

Manish Mittal and Vyas (2008)⁸

This study founded that the investors available certain set of cognitive & emotional weakness on their investment behaviour. Cognitive means an individual self-thinking. This person founded that the investors are having self-biases on investment options and also having systematic bugs in investment avenues.

Gupta et al., 2018⁹

This research is done on FL and its association with financial instruments and financial activity. It concludes that even though individuals are well aware of different financial instruments and have little impact on their financial behaviour, they are of limited value in the case of FL. Various other researchers have indicated that psychological influences such as self-control, avoidance, and instant fulfilment are likely to be more associated with financial power than a lack of financial knowledge.

STATEMENT OF THE PROBLEM

An investment could be a sacrifice of current cash or different resources for future benefits and investment could also be outlined because the web addition to a nation's physical stock of capital. Within the gift monetary market situation, various avenues of finance square measure obtainable the two vital aspects of any investment square measure time and risk. However, at the time of investment, their emotional inclinations, deep seated thought patterns, psychological biases and different factors could have an effect on their investment behaviour.

NEED FOR THE STUDY

Investing in many kinds of assets is a more and more stylish movement that draws individuals from all walks of life no matter their occupation, economic standing, education or family background. Once an individual has more cash than he needs for current consumption, he would create by mental act as a possible capitalist. The businesses that have additional financial gain could wish to invest their surplus in extending the established firm or commencing a brand-new business enterprise.

HYPOTHESIS

H₀: There is no significant difference between Income and choice of investment avenues.

H₁: There is no significant difference between age and Income level of respondents

OBJECTIVES

- To study the investment preferences of IT professionals.
- To study the various factors influencing towards IT Professionals
- To Study the Satisfaction level of IT Professionals towards Financial Services offered by Investment agencies.
- To suggest appropriate recommendations for enhancing the investment behaviour among IT Professionals.

SCOPE OF THE STUDY

The scope of the present study is confined to investment behaviour among information technology professionals in the world of investment, relatively a limited number of attempts have been made to conceptualize the investment patterns of specified strata. There is a proactive change in consumption rather than investing. On the other side the flow of income has been increased.

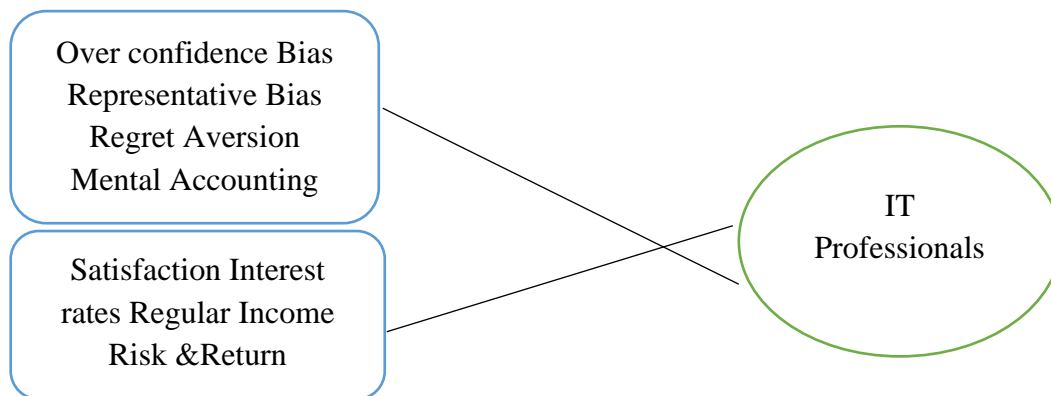
Table 1: Various Investment preferences by IT Professionals

Investment Options	Period of Investment (Minimum)	Who Can Invest	Risks	Returns Offered
Equity	NA	An investor who knows to balance risk and return	High	NA
Mutual Funds	Within a scheme like ELSS a lock-in period of 3 years	An investor who has an appetite for medium to high risk	Low-High	Market-Linked
National Pension Scheme	60 years	An investor looking forward to retirement plans	Low-High	Market-linked (8 to 10 per cent)

Public Provident Fund (PPF)	15 years	Long-term investment goals	Nil	7.9 per cent
Bank Fixed Deposits	7 days	One who doesn't wish to take the risk or be exposed to an equity	Nil	Fixed Returns, different from bank to bank
Senior Citizen Savings Scheme (SCSS)	5 years	Senior Citizens	Nil	8.7 per cent
Pradhan Mantri Vaya Vandana Yojana (PMVVY)	10 years	Senior Citizens	Nil	7.4 per cent
Post Office Monthly Income Scheme (POMIS)	5 years	Indian Citizen	Nil - Low risk	7.7 per cent

CONCEPTUAL FRAMEWORK

Behavioural Factors



RESEARCH METHODOLOGY

Data collection

Primary data have been collected by using Google form from samples of 100 respondents. The respondents were IT professionals employed in various

companies in Bangalore city only Secondary data is collected from various reports, books, journals, records, etc. and various websites.

Tools for Analysis

Collected data from the questionnaires were MS Excel and then fed into SPSS 20.0 software was applied to get the desired results and other tools used are ANOVA, T-test, Chi-square test and Correlation Analysis.

Data Analysis and interpretation

Table 2: Results of t-Test for Demographic Factors with respect to Factors influencing Investment among IT Professionals

Factors influencing Investment options towards IT Professionals	Gender	N	Mean	SD	t value	P value
Interest rates	Male	50	2.61	.495	3.117	.002
	Female	50	2.46	.500		
Risk & Return	Male	50	2.67	.477	1.205	.229
	Female	50	2.62	.488		
Regular Income	Male	50	2.86	.352	6.048	.000
	Female	50	2.63	.509		
Safety & security	Male	50	2.30	.502	1.613	.107
	Female	50	2.38	.545		
Tax benefits	Male	50	2.38	.499	2.707	.007
	Female	50	2.48	.525		

(Source: Primary Data computed using SPSS 20.0)

Analysis : From the study, it is found that there was significant difference between Gender and different factors influencing on Investment Preferences among IT Professionals. Table-1 depicts t-test results for the hypothesis. From the managerial decision point of view, it was found that the reduced interest rates, Tax benefits and safety and security were the factors that majorly influenced the investment decision of male respondents while going for investment behaviour as null hypothesis is rejected and Alternative hypothesis is accepted. Similarly, females preferred on various options so as to satisfy their needs and less expensive compared to oil-based avenues

Table 3 : Results of ANOVA for Understanding Factors Influencing Investment Behaviour of IT Professionals:

Factors influencing Investment options towards IT Professionals	Age (in years)	N	Mean	SD	F value	P value
Interest rates	18-25	25	2.00	.000	2.543	.080
	26-30	15	2.50	.707		
	31-60	10	2.56	.500		
Risk & Return	18-25	40	2.00	.000	4.288	.014
	26-30	25	3.00	.000		
	31-60	55	2.66	.479		
Regular Income	18-25	55	2.50	.500	13.037	.000
	26-30	40	2.80	.707		
	31-60	36	2.79	.414		
Safety & security	18-25	23	1.75	.957	4.225	.015
	26-30	33	3.00	.000		
	31-60	22	2.33	.511		
Tax benefits	18-25	44	2.00	.816	2.023	.133
	26-30	31	2.00	1.414		
	31-60	29	2.42	.502		

(Source: Primary Data computed using SPSS 20.0)

Analysis: Table-2 presents ANOVA results which examined the difference in age and factors influencing investment preferences towards IT Professionals. It was found that the respondents belonging to age group above 25 years are giving more importance to the different factors while taking different options Hence, the null hypothesis is rejected.

Table 4 : Results of Multiple Liner Regression analysis
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.317 ^a	.100	.095	.978

a. Predictors: (Constant), Income, gender, age

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	52.752	3	17.584	18.369	.000 ^b
Residual	473.857	490	.957		
Total	526.609	491			

a. Dependent Variable: Investment behaviour of IT Professionals

b. Predictors: (Constant), Income, gender, age

Table 5 : The relationship between the investment decision of the respondents (Dependent variable) and other independent variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	9.643	.746		12.928	.000		
age	1.310	.234	.241	5.608	.000	.986	1.015
gender	-.244	.093	-.112	-2.618	.009	.994	1.006
Income	-.202	.060	-.144	-3.353	.001	.988	1.013

(Source: Primary Data computed using SPSS 20.0)

Analysis: Table-3 Highlights the relationship between the investment decision of the respondents (Dependent variable) and other independent variables like age, income and gender. Multiple linear regression analysis was carried out and revealed that overall model is found significant. It is clearly understood that age, gender and income found to have significant impact on investment preferences among IT Professionals.

FINDINGS

- Most of IT Employees have fairly aware about all alternatives especially about bank deposits and government security.
- And also risk perception on equity and mutual funds is very high and low for bank deposits and government security.
- They expect high rate of return for equity and mutual fund and low return for insurance.

- Some of Respondents are of the opinion that savings and investment increase family income.
- Savings and investment allow them to meet unexpected medical expenditure.

CONCLUSION

Investment behaviour of IT Professionals reveals that the popular of the respondents have only low level of savings. Also, they are given more position to bank deposit and Insurance policies. The basic goal of investment is return and long-term goal is future of their family needs. Major factors influencing the investment decision is economic scenario. More than partial of the respondents prefer medium term investment with moderate risk having moderate return Majority of the respondent are satisfied with the present return at the same time they expect increase in return. Respondents got information regarding the investment from the family members and friends So educate the professional to invest more and there by development of the economy.

REFERENCES

- Abbas, K. S., Usman, M., and Aftab, M. (2019). Public and private sector response to mutual funds in Pakistan using binary logistic regression. *Rev. Cienc. Soc. Human.* 4, 728–737.
- Abdeldayem, M. M. (2016). Is there a relationship between financial literacy and investment decisions in the kingdom of Bahrain? *Manage. Admin. Sci. Rev.* 5, 203–221.
- Ahmed, S., and Siddiqui, D. A. (2020). Factors affecting fund flows in islamic and conventional mutual funds of Pakistan. *SSRN Electron. J.* doi: 10.2139/ssrn.3681179
- Al-Tamimi, H. A. H. (2006). Factors influencing individual investor behavior: an empirical study of the UAE financial markets. *Bus. Rev.* 5, 225–233.
- Assefa, M., and Durga Rao, P. V. (2018). Financial literacy and investment behavior of salaried individuals: a case study of Wolaita Sodo Town. *Int. J. Bus. Manage. Invent.* 7, 43–50.
- Barlett, J. E., Kotrlik, J. W., and Higgins, C. C. (2001). Organizational research: determining the appropriate sample size in survey research. *Inform. Technol. Learn. Perform. J.* 19, 43–50.
- Basha, S. M., & Ramaratnam, M. S. (2017). Construction of an Optimal Portfolio Using Sharpe's Single Index Model: A Study on Nifty Midcap 150 Scripts. *Indian Journal of Research in Capital Markets*, 4(4), 25-41.
- Basha, M., Singh, A. P., Rafi, M., Rani, M. I., & Sharma, N. M. (2020). Cointegration and Causal relationship between Pharmaceutical sector and Nifty–An empirical Study. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 17(6), 8835-8842.
- Basha, S. M., Kethan, M., & Aisha, M. A. A. *Study on Digital Marketing Tools amongst the Marketing Professionals*. Bangalore City.
- Elankumaran, A., and Ananth, A. A. (2013). Impacting factors on individual investors' behaviour towards commodity market in India. *Res. J. Soc. Sci. Manage.* 2, 147–153.
- JagadeeshBabu, M. K., SaurabhSrivastava, S. M., & AditiPriya Singh, M. B. S. (2020). Influence Of Social Media Marketing On Buying Behavior Of Millennial Towards Smart Phones In Bangalore City. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 17(9), 4474-4485.
- Nagpal Sushant and Bodla B S (2009), “Impact of Investors” lifestyle on Their Investment Pattern: An Empirical Study”, *The Icfai University Journal of Behavioral Finance*, Vol. 6, No. 2, pp. 28-51
- Rajarajan V (2000), “Investor”s Lifestyles and Investment Characteristics”, *Finance India*, Vol. XIV, No. 2, pp. 465-478.

- Shapira Zur and Venezia Itzhak (2001), "Patterns of Behaviour of Professionally Managed and Independent Investors", *Journal of Banking and Finance*, Vol. 25, No. 8, pp. 1573-1587.
- Singh Jaspal and Chander Subash (2004), "An Empirical Analysis of Perceptions of Investors towards Mutual Funds", *Finance India*, Vol. 18, No. 4, pp. 1673-1692.
- Shaik, M. B., Kethan, M., Rani, I., Mahesh, U., Harsha, C. S., Navya, M. K., & Sravani, D. (2022). Which Determinants Matter For Capital Structure? An Empirical Study On Nbfcs In India. *International Journal of Entrepreneurship*, 26, 1-9.
- Srivastava A (2007), "An Analysis of Behavior of Investors in India", *The Icfai University Journal of Behavioral Finance*, Vol. 4, No. 2, pp. 43-52.
- Terrence Hallahan, Robert Faff and Michael McKenzie (2003), *Journal of Multinational Financial Management*, Vol. 13, Nos. 4-5, pp. 483-502.
- Verma M (2008), "Wealth Management and Behavioral Finance: The effect of Demographics and Personality on Investment Choice among Indian Investors", Francis, J C; Taylor, R W (2004) – *Schaum's Outline of Theory and Problems of Investments*. New Delhi : Tata McGraw Hill.